

City of Howe, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2022

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City of Howe, Texas
Annual Financial Report
For the Year Ended September 30, 2022

Table of Contents	PAGE
FINANCIAL SECTION	
Independent Auditor's Report.....	1-2
Required Supplementary Information:	
Management's Discussion and Analysis.....	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities.....	12-13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14-15
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Position.....	17
Statement of Revenues, Expenditures and Changes	
in Fund Balances - Governmental Funds.....	18-19
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balances of Governmental Funds to the Statement of Activities..	20
Statement of Net Position - Proprietary Fund.....	21
Statement of Revenues, Expenses and Changes in	
Net Position - Proprietary Fund.....	22
Statement of Cash Flows - Proprietary Fund.....	23
Statement of Fiduciary Net Position - Collins Fiduciary Fund.....	24
Statement of Changes in Fiduciary Net Position - Collins Fiduciary Fund.....	25
Notes to the Financial Statements.....	27-51
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes	
in Fund Balances - Budget and Actual - General Fund.....	55
Schedule of Changes in Net Pension Liability and Related Ratios	
TMRS – Last Ten Measured Years.....	56-57
Schedule of Contributions to Pension Plan – TMRS – Last Ten Fiscal Years.....	58-59
Schedule of Changes in Total OPEB Liability and Related Ratios	
TMRS – Last Ten Measured Years.....	60
Schedule of Contributions to OPEB Plan – TMRS – Last Ten Fiscal Years.....	61
Other Supplementary Information:	
Statement of Revenues, Expenditures and Changes	
in Fund Balances - Budget and Actual - HCFDC.....	65

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Howe, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Howe, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Howe, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8, Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 55, and TMRS pension and OPEB information on pages 56-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – HCFDC on page 65, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – HCFDC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Vail & Park, P.C.
Tom Bean, Texas
May 20, 2025

City of Howe, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

As management of the City of Howe, (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022.

Financial Highlights

- The assets and outflows of the City exceeded its liabilities and inflows at the close of the most recent fiscal year by \$2,377,814 (net position). \$1,276,197 reflects the City's investment in capital assets (e.g. land, buildings, equipment, infrastructure, and construction in progress) less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Of the remaining amount, \$742,280 is restricted for specific purposes. The remaining amount of \$359,337 is classified as unrestricted net position.
- Governmental activities net position decreased by \$148,860 in comparison with the prior year and business-type activities net position increased by \$1,300,923.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,323,353, a decrease of \$335,424 in comparison with the prior year's beginning balance of \$1,658,777.
- In the City's governmental funds, of the combined ending balances, \$581,073 is unassigned in the General Fund, \$289,314 is restricted for the Howe Community Facilities Development Corporation (HCFDC), \$213,126 is restricted for debt service, \$114,423 is restricted for Municipal Court security and technology, \$46,843 is restricted for police forfeiture, and \$78,574 is restricted for capital projects.
- The City's total long-term liabilities decreased by \$246,510 due to the City paying off long term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Howe's basic financial statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements, and
3. Notes to the Financial Statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the City of Howe, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City of Howe's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Howe is improving or deteriorating.

City of Howe, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, parks and recreation. The business-type activities of the City include the Water and Sewer Fund.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Howe Community Facilities Development Corporation (HCFDC) for which the City is financially accountable. Financial information for the HCFDC is presented as a blended component and is included with the primary government as a special revenue fund, presented in a separate column in the fund financial statements.

The government-wide financial statements can be found in the pages that follow this discussion.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Howe, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Howe maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and several other funds including Special Revenue HCFDC Fund, Debt Service Fund, and Capital Projects Fund.

City of Howe, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

The City of Howe adopts an annual appropriated budget for its General Fund and HCFDC. A separate budgetary comparison statement is presented for these funds to demonstrate compliance with the adopted budget. This comparison can be found in the required supplementary information section and other supplementary information section.

Proprietary funds

The City of Howe maintains one enterprise fund type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Howe uses the enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Enterprise Fund, which is considered to be a major fund of the City of Howe.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Will and Grace Collins Memorial Fund is a fiduciary fund of the City of Howe.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on the pages immediately following the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, in total, net position was \$2,377,814 at the close of the most recent fiscal year.

\$1,276,197 of net position reflects the City's investment in capital assets (e.g. land, buildings, equipment, infrastructure, and construction in progress) less any debt used to acquire those assets that is still outstanding. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Howe, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2022

The following table is a comparative summary of the City's net position as of September 30, 2022 and 2021:

TABLE I NET POSITION						
	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,868,553	\$ 1,156,132	\$3,024,685	\$ 1,959,580	\$ 666,779	\$2,626,359
Capital assets, net	913,830	4,834,867	5,748,697	699,089	4,515,701	5,214,790
Total Assets	2,782,383	5,990,999	8,773,382	2,658,669	5,182,480	7,841,149
Deferred outflows related to pension	32,116	19,749	51,865	39,938	24,628	64,566
Deferred outflows related to OPEB	8,385	5,156	13,541	10,503	6,477	16,980
Total Def. Outflows of Resources	40,501	24,905	65,406	50,441	31,105	81,546
Long-term liabilities	1,226,786	3,356,386	4,583,172	1,298,885	3,530,797	4,829,682
Other liabilities	144,870	1,542,740	1,687,610	83,808	1,904,797	1,988,605
Total Liabilities	1,371,656	4,899,126	6,270,782	1,382,693	5,435,594	6,818,287
Deferred inflows related to pension	116,873	71,866	188,739	52,172	32,172	84,344
Deferred inflows related to OPEB	900	553	1,453	3,863	2,383	6,246
Total Def. Inflows of Resources	117,773	72,419	190,192	56,035	34,555	90,590
Net Position:						
Net investment in capital assets	(236,170)	1,512,367	1,276,197	(515,911)	1,024,451	508,540
Restricted for:						
Debt service	213,126	-	213,126	146,647	-	146,647
Capital projects	78,574	-	78,574	289,307	-	289,307
Public safety	114,423	-	114,423	103,252	-	103,252
Police forfeiture	46,843	-	46,843	48,403	-	48,403
Economic development	289,314	-	289,314	220,097	-	220,097
Unrestricted	827,345	(468,008)	359,337	978,587	(1,281,015)	(302,428)
Total Net Position	\$ 1,333,455	\$ 1,044,359	\$2,377,814	\$ 1,270,382	\$ (256,564)	\$1,013,818

Changes in Net Position

Governmental activities decreased net position by \$148,860, and business-type activities increased net position by \$1,300,923, for a net total increase in net position of \$1,225,751.

The primary reasons for the net total increase in net position of \$1,225,751 is an increase in charges for services related to water and sewer service provision of \$437,112 and grants and contributions of \$341,784.

For the year ended September 30, 2022, revenues from governmental activities totaled \$2,210,809. Sales taxes, property taxes, and charges for services are the City's largest revenue sources. Governmental revenues increased by \$76,853 when compared to 2021.

For the year ended September 30, 2022, expenses for governmental activities totaled \$1,783,928. This represents an increase of \$48,167 from the prior year. The City's largest functional expenses; public safety and general government totaled \$1,258,315, together increased by \$1,300,923.

Proprietary funds

The City of Howe's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. The deficit in unrestricted net position of the Water and Sewer fund decreased by \$813,007 in fiscal year 2022, from \$1,281,015 in the prior year to \$468,008 in fiscal year 2022. Business-type activities net position increased overall by \$1,300,923.

For the year ended September 30, 2022, charges for services by business-type activities totaled \$2,553,502. This is an increase of \$437,112 from the previous year. Expenses totaled \$2,170,999, which was a decrease of \$336,234.

City of Howe, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2022

The key elements of the changes in the City's net position are shown in the following table:

TABLE II
CHANGES IN NET POSITION

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 594,346	\$ 2,553,502	\$ 3,147,848	\$ 405,045	\$ 2,116,390	\$ 2,521,435
Grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	923,979	-	923,979	871,632	-	871,632
Franchise taxes	97,648	-	97,648	115,819	-	115,819
Sales taxes	553,307	-	553,307	505,864	-	505,864
Grants and contributions	-	341,784	341,784	-	-	-
Investment interest	3,227	895	4,122	497	-	497
Miscellaneous	38,302	-	38,302	235,099	-	235,099
Total Revenues	2,210,809	2,896,181	5,106,990	2,133,956	2,116,390	4,250,346
Expenses						
Community development	187,907	-	187,907	146,375	-	146,375
General government	607,926	-	607,926	669,481	-	669,481
Public works	100,731	-	100,731	121,479	-	121,479
Public safety	650,389	-	650,389	641,053	-	641,053
Water sales	-	1,323,753	1,323,753	-	972,692	972,692
Wastewater treatment	-	334,577	334,577	-	900,410	900,410
Sanitation	-	321,529	321,529	-	421,062	421,062
Interest on long-term debt	27,775	191,140	218,915	32,229	213,069	245,298
Municipal court	209,200	-	209,200	125,144	-	125,144
Total Expenses	1,783,928	2,170,999	3,954,927	1,735,761	2,507,233	4,242,994
Change in Net Position Before Transfers	426,881	725,182	1,152,063	398,195	(390,843)	7,352
Transfers	(575,741)	575,741	-	37,300	(37,300)	-
Total Transfers	(575,741)	575,741	-	37,300	(37,300)	-
Change in Net Position	(148,860)	1,300,923	1,152,063	435,495	(428,143)	7,352
Beginning Net Position, as Restated	1,482,315	(256,564)	1,225,751	834,887	171,579	1,006,466
Ending Net Position	\$ 1,333,455	\$ 1,044,359	\$ 2,377,814	\$ 1,270,382	\$ (256,564)	\$ 1,013,818

General Fund Budgetary Highlights

The original adopted budget for the General Fund was not amended. See Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual. A review of actual expenditures compared to the appropriations in the General Fund yields several significant variances, as discussed below. The following is a summary discussion of General Fund budget variances for fiscal year 2022:

Revenues were \$459,129 more than budgeted

- Revenues from sales taxes were \$154,769 more than budgeted due to the growth of the City.
- Revenues from municipal court were \$346,533 more than budgeted due to increased collection efforts.

Expenditures were \$428,596 more than budgeted

- Total general government expenditures were \$208,789 more than anticipated due to the City not amending the budget during the fiscal year.
- Total capital outlay expenditures were \$124,806 more than anticipated due to the City not budgeting for capital outlay during the fiscal year.

City of Howe, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2022

Capital Assets and Debt Administration

Capital Assets

The City of Howe's investment in capital assets for its governmental and business-type activities as of September 30, 2022 amounts to \$5,748,697 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roadway infrastructure, water and sewer system, and construction in progress.

At the end of the 2022 fiscal year, in total, the City had total bonded debt outstanding of \$4,472,500. During fiscal year 2022, principal payments of \$283,750 were made on existing debt obligations.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2022, the City's governmental funds reported combined ending fund balances in the amount of \$1,323,353. This is a decrease of \$335,424. The City's General Fund has an unassigned fund balance of \$581,073.

Economic Factors and Next Year's Budget and Rates

In FY 2023 the City's net taxable property values increased by \$41,387,024 or 24% increasing from \$172,476,697 in FY 2022 to \$213,863,721 in FY 2023. The overall property tax rate lowered to \$0.540000 in FY 2022-2023.

The increase in net taxable values and the consistent overall tax rate will raise more revenue from property tax than fiscal year 2021's budget by \$98,433, which is a 9.62% increase from the prior year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$12,592.10.

The FY 2023 budgeted expenditures in the General Fund reflect a decrease of 38% from the FY 2022 actual expenditures, from \$1,810,847 actual in FY 2022 to \$1,128,099 adopted budget in FY 2023.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City of Howe's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Secretary, PO Box 518, City of Howe, Texas, 75459-0518.

BASIC FINANCIAL STATEMENTS

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City of Howe, Texas
Statement of Net Position
September 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 753,591	\$ 488,947	\$ 1,242,538
Certificates of deposit	134,260	-	134,260
Receivables (net of allowance for uncollectibles)	340,780	221,525	562,305
Internal balances	406,052	(406,052)	-
Net pension asset	233,870	143,809	377,679
Restricted assets:			
Cash and cash equivalents	-	22,052	22,052
Deposits held in trust by GTUA	-	634,956	634,956
Certificate of deposits	-	50,895	50,895
Capital assets:			
Nondepreciable	146,386	285,581	431,967
Depreciable (net)	767,444	4,549,286	5,316,730
Total assets	<u>2,782,383</u>	<u>5,990,999</u>	<u>8,773,382</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	32,116	19,749	51,865
Deferred outflows related to OPEB	8,385	5,156	13,541
Total deferred outflows of resources	<u>40,501</u>	<u>24,905</u>	<u>65,406</u>
LIABILITIES			
Accounts payable and other current liabilities	141,527	480,960	622,487
Deferred revenue - federal grant	-	488,128	488,128
Accrued interest payable	3,343	463,857	467,200
Customer deposits	-	109,795	109,795
Noncurrent liabilities:			
Compensated absences	24,589	1,790	26,379
Total OPEB liability	52,197	32,096	84,293
Debt due within one year	135,000	72,500	207,500
Debt due in more than one year	1,015,000	3,250,000	4,265,000
Total liabilities	<u>1,371,656</u>	<u>4,899,126</u>	<u>6,270,782</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	116,873	71,866	188,739
Deferred inflows related to OPEB	900	553	1,453
Total deferred inflows of resources	<u>117,773</u>	<u>72,419</u>	<u>190,192</u>
NET POSITION			
Net investment in capital assets	(236,170)	1,512,367	1,276,197
Restricted for:			
Debt service	213,126	-	213,126
Capital projects	78,574	-	78,574
Public safety	114,423	-	114,423
Police forfeiture	46,843	-	46,843
Economic development	289,314	-	289,314
Unrestricted	827,345	(468,008)	359,337
Total net position	<u>\$ 1,333,455</u>	<u>\$ 1,044,359</u>	<u>\$ 2,377,814</u>

The notes to the basic financial statements are an integral part of this statement.

City of Howe, Texas
Statement of Activities
For the Year Ended September 30, 2022

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Public safety	\$ 650,389	\$ 34,617	\$ -	\$ -
General government	607,926	32,114	-	-
Community development	187,907	-	-	-
Public works	100,731	-	-	-
Interest	27,775	-	-	-
Municipal court	209,200	527,615	-	-
Total governmental activities	<u>1,783,928</u>	<u>594,346</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Water	1,228,063	1,433,717	-	240,655
Sewer	433,066	851,571	-	-
Solid Waste	318,730	369,343	-	-
Interest on long term debt	191,140	-	-	-
Total business-type activities	<u>2,170,999</u>	<u>2,654,631</u>	<u>-</u>	<u>240,655</u>
Total primary government	<u>\$ 3,954,927</u>	<u>\$ 3,248,977</u>	<u>\$ -</u>	<u>\$ 240,655</u>

General revenues:
Property taxes
Sales taxes
Franchise taxes
Miscellaneous
Interest
Transfers in (out)
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net
Position**

Primary Government		
Governmental Activities	Business- type Activities	Total
\$ (615,772)		\$ (615,772)
(575,812)		(575,812)
(187,907)		(187,907)
(100,731)		(100,731)
(27,775)		(27,775)
318,415		318,415
<u>(1,189,582)</u>		<u>(1,189,582)</u>
	\$ 446,309	446,309
	418,505	418,505
	50,613	50,613
	(191,140)	(191,140)
	<u>724,287</u>	<u>724,287</u>
	<u>724,287</u>	<u>(465,295)</u>
923,979	-	923,979
553,307	-	553,307
97,648	-	97,648
38,302	-	38,302
3,227	895	4,122
<u>(575,741)</u>	<u>575,741</u>	<u>-</u>
<u>1,040,722</u>	<u>576,636</u>	<u>1,617,358</u>
<u>(148,860)</u>	<u>1,300,923</u>	<u>1,152,063</u>
<u>1,482,315</u>	<u>(256,564)</u>	<u>1,225,751</u>
<u>\$ 1,333,455</u>	<u>\$ 1,044,359</u>	<u>\$ 2,377,814</u>

The notes to the basic financial statements are an integral part of this statement.

City of Howe, Texas

Balance Sheet Governmental Funds September 30, 2022

	<u>General Fund</u>	<u>HCFDC</u>
ASSETS		
Cash and cash equivalents	\$ 497,100	\$ 136,630
Certificates of deposit	32,471	101,789
Receivables (net of allowance for uncollectibles):		
Sales taxes	76,290	25,430
Municipal court	182,102	-
Property taxes	39,693	-
Franchise taxes	7,742	-
Due from other funds	538,954	43,465
Total assets	<u>\$ 1,374,352</u>	<u>\$ 307,314</u>
LIABILITIES		
Accounts payable	\$ 120,787	\$ -
Accrued liabilities	1,538	-
Wages payable	19,202	-
Due to other funds	329,701	18,000
Total liabilities	<u>471,228</u>	<u>18,000</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	37,384	-
Unavailable revenue - municipal court fines	123,401	-
Total deferred inflows of resources	<u>160,785</u>	<u>-</u>
FUND BALANCES (DEFICITS)		
Restricted for:		
Debt service	-	-
Capital projects	-	-
Public safety	114,423	-
Police forfeiture	46,843	-
Economic development	-	289,314
Unassigned	581,073	-
Total fund balances	<u>742,339</u>	<u>289,314</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 1,374,352</u>	<u>\$ 307,314</u>

The notes to the basic financial statements are an integral part of this statement.

Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
\$ 41,287	\$ 78,574	\$ 753,591
-	-	134,260
-	-	-
-	-	101,720
-	-	182,102
9,523	-	49,216
-	-	7,742
171,334	-	753,753
<u>\$ 222,144</u>	<u>\$ 78,574</u>	<u>\$ 1,982,384</u>
\$ -	\$ -	\$ 120,787
-	-	1,538
-	-	19,202
-	-	347,701
<u>-</u>	<u>-</u>	<u>489,228</u>
9,018	-	46,402
-	-	123,401
<u>9,018</u>	<u>-</u>	<u>169,803</u>
213,126	-	213,126
-	78,574	78,574
-	-	114,423
-	-	46,843
-	-	289,314
-	-	581,073
<u>213,126</u>	<u>78,574</u>	<u>1,323,353</u>
<u>\$ 222,144</u>	<u>\$ 78,574</u>	<u>\$ 1,982,384</u>

The notes to the basic financial statements are an integral part of this statement.

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City of Howe, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of the governmental funds:	\$ 1,323,353
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	913,830
Property taxes receivable that are not collectible within 60 days are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	46,402
Municipal court fines receivable that are not collectible within 60 days are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	123,401
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.	
Pension amounts	(84,757)
OPEB amounts	7,485
Long-term liabilities, including bonds payable, accrued interest payable, leases payable and compensated absences payable are not due and payable in the current period, and therefore, are not reported in the funds.	(1,177,932)
Net pension asset used in governmental activities are not financial resources and, therefore, are not reported in the funds.	233,870
Total OPEB liability used in governmental activities are not financial resources and, therefore, are not reported in the funds.	(52,197)
Net position of governmental activities	<u><u>\$ 1,333,455</u></u>

City of Howe, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2022

	<u>General Fund</u>	<u>HCFDC</u>
REVENUES		
Taxes:		
Property	\$ 751,112	\$ -
Sales	414,980	138,327
Franchise	97,648	-
Municipal court	471,544	-
Building permits and fees	32,114	-
Miscellaneous	38,302	-
Fire contract	34,617	-
Interest	1,329	1,890
Total revenues	<u>1,841,646</u>	<u>140,217</u>
EXPENDITURES		
Current:		
General government	587,151	-
Public safety	633,274	-
Community development	185,936	-
Streets	52,797	-
Municipal court	209,200	-
Non-departmental	17,683	-
Capital outlay	124,806	-
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	<u>1,810,847</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,799</u>	<u>140,217</u>
OTHER FINANCING SOURCES (USES)		
Debt proceeds	-	-
Insurance recoveries	11,244	-
Transfers in	117,435	-
Transfers out	(419,865)	(71,000)
Total other financing sources and uses	<u>(291,186)</u>	<u>(71,000)</u>
Net change in fund balances	(260,387)	69,217
Fund balances - beginning	<u>1,002,726</u>	<u>220,097</u>
Fund balances - ending	<u>\$ 742,339</u>	<u>\$ 289,314</u>

The notes to the financial statements are an integral part of this statement.

Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
\$ 159,597	\$ -	\$ 910,709
-	-	553,307
-	-	97,648
-	-	471,544
-	-	32,114
-	-	38,302
-	-	34,617
-	8	3,227
<u>159,597</u>	<u>8</u>	<u>2,141,468</u>
-	-	587,151
-	-	633,274
-	-	185,936
-	-	52,797
-	-	209,200
-	8,430	26,113
-	-	124,806
115,000	-	115,000
28,118	-	28,118
<u>143,118</u>	<u>8,430</u>	<u>1,962,395</u>
<u>16,479</u>	<u>(8,422)</u>	<u>179,073</u>
50,000	-	50,000
-	-	11,244
-	-	117,435
-	(202,311)	(693,176)
<u>50,000</u>	<u>(202,311)</u>	<u>(514,497)</u>
66,479	(210,733)	(335,424)
146,647	289,307	1,658,777
<u>\$ 213,126</u>	<u>\$ 78,574</u>	<u>\$ 1,323,353</u>

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (335,424)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	66,722
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.	
Long-term debt repaid in current year	115,000
Proceeds from a note payable	(50,000)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(113,373)
Capital outlays	124,806
The net effect of proceeds received associated with a capital asset disposal.	(8,625)
Accrued long term debt interest is not recorded in the governmental fund financials but the increase in the balance is recognized for the full accrual government-wide financial statements as interest expense.	343
Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	12,759
Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	43,747
Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	(4,815)
Change in net position of governmental activities	<u><u>\$ (148,860)</u></u>

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas
Statement of Net Position
Proprietary Fund
September 30, 2022

	Water and Sewer Fund
ASSETS	
Cash and cash equivalents	\$ 488,947
Due from other funds	42,678
Receivables (net of allowance for uncollectibles)	
Water	140,306
Sewer	57,014
Solid waste	24,205
Net pension asset	143,809
Restricted assets:	
Deposits held in trust by GTUA	634,956
Cash and cash equivalents	22,052
Certificate of deposits	50,895
Capital assets:	
Land and land rights	134,788
Buildings	72,165
Water and sewer system	9,399,548
Machinery and equipment	805,337
Construction in process	150,793
Less accumulated depreciation	(5,727,764)
Total assets	<u>6,439,729</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	19,749
Deferred outflows related to OPEB	5,156
Total deferred outflows of resources	<u>24,905</u>
LIABILITIES	
Accounts payable	468,021
Deferred revenue - federal grant	488,128
Wages payable	12,939
Accrued interest payable	463,857
Due to other funds	448,730
Utility customer deposits	109,795
Bonds payable - current portion	72,500
Noncurrent liabilities:	
Total OPEB liability	32,096
Bonds payable - noncurrent portion	3,250,000
Compensated absences	1,790
Total liabilities	<u>5,347,856</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	71,866
Deferred inflows related to OPEB	553
Total deferred inflows of resources	<u>72,419</u>
NET POSITION	
Net investment in capital assets	1,512,367
Unrestricted	(468,008)
Net position of business-type activities	<u><u>\$ 1,044,359</u></u>

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2022

	Water and Sewer Fund
OPERATING REVENUES:	
Charges for sales and services:	
Water sales	\$ 1,059,579
Sewer charges	851,571
Solid waste	369,343
Grant revenue	341,784
Miscellaneous income	240,655
Sales tax	25,384
Tap fees	6,970
Total operating revenues	<u>2,895,286</u>
OPERATING EXPENSES:	
Costs of sales and services:	
Salaries and benefits	433,066
Sewer treatment	334,577
Trash collection	321,529
Depreciation	318,730
Water contract	222,283
Supplies and maintenance	221,301
Utilities	80,208
Administrative	21,651
Office expense	13,253
Legal and consulting	11,182
Training	2,079
Total operating expenses	<u>1,979,859</u>
Operating income (loss)	<u>915,427</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income on certificates of deposit	895
Interest on long term debt	(191,140)
Total nonoperating revenue (expenses)	<u>(190,245)</u>
Income (loss) before transfers	725,182
Transfers in	575,856
Transfers out	(115)
Net transfers	<u>575,741</u>
Change in net position	1,300,923
Net position-beginning	(256,564)
Net position-ending	<u>\$ 1,044,359</u>

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,904,255
Cash received from federal agency	73,581
Payments to employees	(230,411)
Payments to suppliers	(1,626,922)
Payments (to) from other funds for services provided	(332,292)
Net cash provided from operating activities	<u>788,211</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for transfers to other funds	(115)
Payments for transfers from other funds	575,856
Net cash provided (used) by noncapital and related financing activities	<u>575,741</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(637,896)
Cash from GTUA restricted assets	20,921
Principal paid on capital debt	(168,750)
Interest paid on capital debt	(484,013)
Net cash provided (used) by capital and related financing activities	<u>(1,269,738)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	94,214
Cash and cash equivalents, October 1, 2021	1,102,636
Cash and cash equivalents, September 30, 2022	<u>\$ 1,196,850</u>
Reconciliation of net income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 915,427
Adjustments:	
Depreciation	321,529
(Increase) decrease in accounts receivable	8,444
(Increase) decrease in deferred outflows	(6,200)
(Increase) decrease in due from other funds	(19,298)
(Increase) decrease in net pension asset	71,291
Increase (decrease) in accounts payable	(303,169)
Increase (decrease) in unearned revenue	73,581
Increase (decrease) in customer deposits	525
Increase (decrease) in total OPEB liability	3,399
Increase (decrease) in deferred inflows	37,864
Increase (decrease) in due to other funds	(312,994)
Increase (decrease) in wages payable	6,872
Increase (decrease) in compensated absences	(9,060)
Net cash provided by operating activities	<u>\$ 788,211</u>
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 488,947
Restricted deposits held in trust by GTUA	634,956
Restricted assets-customer deposits	22,052
Restricted assets-certificate of deposits	50,895
Total cash and cash equivalents	<u>\$ 1,196,850</u>

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas
Statement of Fiduciary Net Position
Collins Fiduciary Fund
September 30, 2022

	<u>Collins Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,371
Restricted assets	
Certificates of deposit	<u>25,023</u>
Total assets	<u><u>28,394</u></u>
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for restricted purposes	<u><u>\$ 28,394</u></u>

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas
Statement of Changes in Fiduciary Net Position
Collins Fiduciary Fund
For the Year Ended September 30, 2022

	<u>Collins Fund</u>
ADDITIONS	
Interest	\$ -
Donations	2,934
Other income	<u>4,389</u>
Total additions	<u>7,323</u>
 DEDUCTIONS	
Other expenses	<u>-</u>
Total deductions	<u>-</u>
 Change in net position	 7,323
 Net position-beginning	 <u>21,071</u>
Net position-ending	<u><u>\$ 28,394</u></u>

The notes to the financial statements are an integral part of this statement.

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City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

I. Summary of Significant Accounting Policies

The City of Howe, Texas (City) is incorporated as a municipal corporation under the laws of the State of Texas. The City operates under a Mayor-City Council form of government and provides the following services: public safety (police and fire), streets, sanitation, planning and zoning, and general administrative services. Other services include water and sewer operations. Fire protection is provided by the Howe Volunteer Fire Department.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Howe.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the Howe Waterworks and Sewer System are included in the accompanying financial statements as well as Howe Community Facilities Development Corporation. The Howe Volunteer Fire Department, Howe Public Library, and the Howe Housing Authority are excluded from the accompanying financial statements.

Blended Component Unit. The Howe Community Facilities Development Corporation (HCFDC) serves all the citizens of the City and is governed by a board of four members. The annual budget, taxes collected and Board members of the HCFDC are approved by the City Council.

B. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 87, Leases, will increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The adoption of Statement No. 87 has no impact on the City's financial statements.

GASB Statement No. 91, Conduit Debt Obligations, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The adoption of Statement No. 91 has no impact on the City's financial statements.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

GASB Statement No. 92, Omnibus 2020, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for various reporting periods beginning after June 15, 2021. The City is currently evaluating the impact of this Statement.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides exceptions to the existing provisions for hedge accounting termination and lease modifications to ease the accounting requirements related to the transition away from interbank offered rates. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Some requirements of this Statement will take effect for reporting periods ending after December 31, 2021 while other requirements are effective beginning with fiscal years that end June 30, 2022. The adoption of Statement No. 93 has no impact on the City's financial statements.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing these relationships and availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), provides guidance on the accounting and financial reporting of contractual arrangements. It defines SBITA; establishes that a SBITA results in a right-to-use subscription asset; provides capitalization criteria; and requires note disclosures. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which potential component unit does not have a governing board and the primary government performs the duties that governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension, OPEB and benefit plans other than pension or OPEB plans; and enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact of this Statement for the requirements effective in fiscal year 2022.

GASB Statement No. 98, The Annual Comprehensive Financial Report, establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The City does not intend to issue an Annual Comprehensive Financial Report in this fiscal year.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

C. Government-wide Financial Statements and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit and are prepared on the accrual basis of accounting. Activity for the primary government and its component unit are reported in a blended presentation in the government-wide financial statements. The effect of interfund activity between the governmental activities and business-type activities has been eliminated in these statements.

Governmental activities are supported in part by property taxes, sales taxes, franchise taxes, and grant revenues from the federal government and the State of Texas. Governmental activities are reported separately from *business-type activities*, which rely to a large extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services and sanitation fees.

The Statement of Activities reports the change in the City's net position from October 1, 2021 to September 30, 2022. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: general government services, public safety services, municipal court, public works services, community development services, water and wastewater utility services and sanitation services. *Direct expenses* are those that are clearly identifiable with a specific function of City government.

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues* in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for major governmental funds and proprietary funds; these funds are classified as *fund financial statements*. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are organized into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The calculation of major funds is conducted by the City each year under the methods outlined in GASB Statement No. 34.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds, designated non-major governmental funds, and major individual proprietary funds are reported as separate columns in the fund financial statements. Other non-major governmental funds are reported in the combining financial statements.

The major funds at September 30, 2022, are as follows: General Fund, HCFDC, and Water and Wastewater Utility Fund.

Major governmental funds include the following:

General Fund: The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except for those required to be accounted for in another fund.

Howe Community Facilities Development Corporation Fund: This fund accounts for all financial resources of the HCFDC, which is the blended component unit.

There are two non-major funds: Debt Service Fund and the Capital Projects Fund.

Non-major governmental funds include the following:

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on the debt of the governmental funds. Due to the significance of the Debt Service Fund, management has designated the Debt Service Fund to be presented in its own column in the Fund Financial Statements.

Capital Projects Fund: This fund accounts for the payments made for capital improvements. Due to the significance of the Capital Projects Fund, management has designated the Capital Projects Fund to be presented in its own column in the Fund Financial Statements.

Major enterprise funds include the following:

Water and Wastewater Utility Fund: This fund accounts for water, wastewater system and sanitation services provided for residents of the City.

D. Measurement Focus and Basis of Accounting

1. Governmental Funds

The City uses the modified accrual basis of accounting and the flow of current financial resources measurement focus for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when both “measurable and available.” Measurable means knowing, or being capable of calculating or estimating the amount to be received. Available means collectible within the current period or soon enough thereafter to pay current liabilities (generally 60 days). Also, under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded in the period when the related fund liability is incurred.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Major revenue sources susceptible to accrual in the governmental funds include:

Sales taxes are collected by the State and remitted to the City in 60 days arrears. The City recognizes sales tax revenues when collected by the State. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue. The City allocates its sales tax revenues to the General Fund and HCFDC Fund pursuant to City ordinances.

Franchise fees are remitted regularly by franchise owners for utilities operating in the City.

Property taxes are billed and collected by the Grayson County Tax Assessor based on assessed taxable values each January 1 as determined by the Central Appraisal District using exemptions approved by the City. Taxes are levied and due on the next October 1 and are past due after February 1 of the following year. Property tax receivables are recorded on October 1 when taxes are assessed with a reserve estimate for uncollectibles. Property tax revenues are recorded as taxes are collected. Delinquent tax payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

2. Proprietary Funds

The accrual basis of accounting and flow of economic resources measurement focus are used in all proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred.

The accounting objectives are the determination of net income, net position and cash flows. Proprietary fund equity is segregated into (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

Proprietary funds distinguish *operating* revenues and expense from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for water sales, wastewater utilities and sanitation services. Operating expenses for enterprise funds include the cost of sales and services, administrative services, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income (loss), is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Water and Wastewater enterprise fund of the City is classified as business-type activities in the government-wide statements of net position and activities.

E. Assets, Liabilities, Fund Balance/ Net position and Other

1. Pooled Cash, Investments and Temporary Deposits

The City's cash, investments and temporary deposits are pooled for investment. For purposes of the statement of cash flows, the City considers cash on hand, demand deposits and investments with original maturities of three months or less to be cash equivalents.

2. Restricted Assets

Governmental Activities

Proceeds from the certificates of obligation as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because they are kept in separate bank and investment pool accounts and their use is limited by applicable bond covenants.

Business-type Activities

Proceeds of the utility fund contractual obligations as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because they are held by GTUA and their use is limited by applicable bond covenants. Proceeds from utility customer deposits are also classified as restricted assets on the statement of net position.

3. Capital Assets and Depreciation

Capital assets (i.e., land, buildings, equipment, improvements, infrastructure, and construction in progress) of all the funds are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair value on the date donated. An item is classified as an asset if the initial, individual cost is \$5,000 or greater. Capital assets of the City are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements.

Assets subject to depreciation are depreciated using the straight-line method. The useful lives of all depreciable assets are as follows:

Buildings	20-50 years
Machinery and Equipment	5-15 years
Infrastructure	20-40 years

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

4. Encumbrances

Encumbrance accounting is not used in the City's funds.

5. Compensated Absences

Employees are granted vacation benefits in varying amounts depending on tenure with the City. These benefits accumulate pro rata by pay period. The valuation of accrued compensated absences includes salary related payments such as the City's share of Social Security, Medicare taxes and contributions to the retirement plan in accordance with GASB 16.

6. Risk Management

The City purchases commercial insurance with Texas Municipal League to reduce exposure to risks of loss related to natural disasters, injuries to employees, errors and omissions, and damage or theft of assets. The City accounts for risk management issues in accordance with GASB Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

7. Nature and Purpose of Classifications of Fund Equity

The City reports fund balances based on the requirements of GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

As of September 30, 2022, fund balances of the governmental funds are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can only be spent for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City's policy, only the City Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

8. Pensions/Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension liability (asset) and total OPEB liability, pension and OPEB related deferred outflows and inflows of resources, and pension and OPEB expense, City specific information about the Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's net pension liability (asset) and total OPEB liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

II. Stewardship, Compliance, and Accountability

A. Budget and Budgetary Accounting

The City Council adopts an annual budget for the General Fund and Utility Fund. The annual budget for the General Fund is prepared on a modified accrual basis. The budget for the Utility Fund is adopted under a basis consistent with GAAP, except that depreciation is not considered (working capital basis).

For the year ended September 30, 2022, General Fund expenditures exceeded appropriations at the legal level of control by the net amount of \$428,596 as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual – General Fund. The City will ensure that the budget is amended, as necessary, to assure that expenditures are appropriately monitored.

III. Detailed Notes on All Funds

A. Assets

1. Deposits

At September 30, 2022, the carrying amount of the City's deposits at the Independent Bank amounted to \$712,389 and no petty cash. Certificates of deposit at the same bank amounted to \$185,155. Restricted deposits held by fiscal agents were \$634,956.

2. Investments

At September 30, 2022, the City's investments were registered or held by the City or its agent in the City's name. The City's investments were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Investment Pools	\$ 1,285	53

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

The City's investment in local government investment pools at September 30, 2022 represents an investment in TexSTAR with a carrying amount of \$1,285. TexSTAR operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. They use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the City's position in TexSTAR is the same as the value of TexSTAR shares, respectively. There is no regulatory oversight for TexSTAR, advisory boards consisting of participants and their designees maintain oversight responsibility for the investment pool.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires 102% collateralization of certificates of deposit or demand deposits, to be held by an independent third party. The safekeeping bank may not be within the same holding company as the banks from which the securities are pledged. City deposits over and above amounts insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by securities held by the bank's agent in the bank's name with the notation "to the benefit of the City of Howe". As of September 30, 2022, the market value of the pledged securities was \$1,343,662.

Interest rate risk

Through its investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of investments within its investment portfolio to no more than 20% of the portfolio may be invested for a period greater than one year.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to the City's investment policy, to mitigate credit risk, funds shall be invested in A) obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated maturity; B) fully insured or collateralized certificates of deposit from a bank domiciled in the State of Texas and under the terms of a written depository agreement with that bank.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City investment policy requires funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities.

Diversification requirements are:

Fully collateralized deposits at the depository bank - 100%
United States Government Treasury Securities – 100%
United States Government Agency Securities – 50%
Money Market Funds – not to exceed 80%

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

3. Receivables

Receivables as of the year ended September 30, 2022 for the City's government-wide activities including the allowances for uncollectible accounts, are as follows:

Receivables:	Debt Service			Water and	
	General Fund	Fund	HCFDC	Sewer Fund	Total
Sales Taxes	\$ 76,290	\$ -	\$ 25,430	\$ -	\$ 101,720
Municipal Court	1,214,012	-	-	-	1,214,012
Property Taxes	41,782	9,523	-	-	51,305
Franchise Taxes	7,742	-	-	-	7,742
Accounts	-	-	-	226,525	226,525
Gross Receivables	1,339,826	9,523	25,430	226,525	1,601,304
Less: Allowance for Uncollectibles	(1,033,999)	-	-	(5,000)	(1,038,999)
Net Total Receivables	<u>\$ 305,827</u>	<u>\$ 9,523</u>	<u>\$ 25,430</u>	<u>\$ 221,525</u>	<u>\$ 562,305</u>

4. Capital Assets

Capital assets, additions, disposals, and depreciation for governmental activities and business- type activities for the year ended September 30, 2022 were as follows:

Governmental Activities Capital Assets:

	Beginning Balances	Additions	Disposals/ Reclasses	Ending Balances
Capital assets, not being depreciated				
Land	\$ 96,386	\$ 50,000	\$ -	\$ 146,386
Total capital assets not being depreciated	96,386	50,000	-	146,386
Capital assets, being depreciated				
Machinery & equipment	781,007	34,555	356,462	1,172,024
Infrastructure	5,939,151	-	-	5,939,151
Buildings and improvements	477,105	40,251	-	517,356
Total capital assets being depreciated	7,197,263	74,806	356,462	7,628,531
Less accumulated depreciation				
Machinery & equipment	(759,094)	(55,287)	(153,584)	(967,965)
Infrastructure	(5,466,299)	(45,992)	-	(5,512,291)
Buildings and improvements	(369,167)	(11,664)	-	(380,831)
Total accumulated depreciation	(6,594,560)	(112,943)	(153,584)	(6,861,087)
Net capital assets being depreciated	602,703	(38,137)	202,878	767,444
Total capital assets	<u>\$ 699,089</u>	<u>\$ 11,863</u>	<u>\$ 202,878</u>	<u>\$ 913,830</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	Depreciation
General government	\$ 10,428
Parks and recreation	1,971
Public works	47,504
Public safety	53,040
Total depreciation expense - governmental activities	<u>\$ 112,943</u>

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Business-type Activities Capital Assets:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals/ Reclasses</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 134,788	\$ -	\$ -	\$ 134,788
Construction in Progress	-	150,793	-	150,793
Total capital assets not being depreciated	134,788	150,793	-	285,581
Capital assets, being depreciated				
Machinery & equipment	543,061	262,276	-	805,337
Buildings and Improvements	72,165	-	-	72,165
Water and sewer system	9,174,721	224,827	-	9,399,548
Total capital assets being depreciated	9,789,947	487,103	-	10,277,050
Less accumulated depreciation				
Machinery & equipment	(449,345)	(48,880)	-	(498,225)
Water and sewer system	(4,887,524)	(269,850)	-	(5,157,374)
Buildings and improvements	(72,165)	-	-	(72,165)
Total accumulated depreciation	(5,409,034)	(318,730)	-	(5,727,764)
Net capital assets being depreciated	4,380,913	168,373	-	4,549,286
Total capital assets	<u>\$ 4,515,701</u>	<u>\$ 168,373</u>	<u>\$ -</u>	<u>\$ 4,834,867</u>

B. Liabilities

1. Interfund receivables, payables and transfers

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Internal Balances</u>
Governmental Funds:			
General Fund	\$ 538,954	\$ (329,701)	
Debt Service	171,334	-	
HCFDC	43,465	(18,000)	
	<u>\$ 753,753</u>	<u>\$ (347,701)</u>	<u>\$ 406,052</u>
Proprietary Funds:			
Water and Sewer Fund	\$ 42,678	\$ (448,730)	
	<u>\$ 42,678</u>	<u>\$ (448,730)</u>	<u>\$ (406,052)</u>
	<u>\$ 796,431</u>	<u>\$ (796,431)</u>	<u>\$ -</u>

The interfund balances are related to payment for operating expenditures, rental payments, and debt payments owed between the respective funds, as noted above.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General Fund	\$ (419,865)	\$ 117,435	
HCFDC	(71,000)	-	
Capital Projects Fund	(202,311)	-	
	<u>\$ (693,176)</u>	<u>\$ 117,435</u>	<u>\$ (575,741)</u>
Proprietary Funds:			
Water and Sewer Fund	\$ (115)	\$ 575,856	
	<u>\$ (115)</u>	<u>\$ 575,856</u>	<u>\$ 575,741</u>

The transfers above are for various items such as operating expenses, GTUA payments, and payroll.

2. Accounts Payable

At September 30, 2022, the City owes the City of Sherman \$339,936 for past due sewer charges. This amount is recorded in accounts payable. Subsequent to year end, the City continued to pay past due sewer charges to the City of Sherman. Subsequent to year end, the City paid the entire past due balance to the City of Sherman. At September 30, 2022, the City owes the WC of Texas \$55,021 for sanitation charges. This amount is recorded in accounts payable.

3. Long-Term Liabilities

Below is a summary of changes in the City's long-term liabilities for governmental and business type activities at September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Refunding Bond	\$ 900,000	\$ -	\$ (95,000)	\$ 805,000	\$ 90,000
Combination Tax and Revenue Certificates of Obligation	315,000	-	(20,000)	295,000	20,000
Note payable to a Financial Institution	-	50,000	-	50,000	25,000
Total Debt	<u>1,215,000</u>	<u>50,000</u>	<u>(115,000)</u>	<u>1,150,000</u>	<u>135,000</u>
Compensated Absences	37,348	24,589	(37,348)	24,589	24,589
Net Pension Liability (Asset)	(117,600)	(116,270)	-	(233,870)	-
Total OPEB Liability	46,537	5,660	-	52,197	-
Total Governmental Activities	<u>\$1,181,285</u>	<u>\$ (36,021)</u>	<u>\$ (152,348)</u>	<u>\$ 992,916</u>	<u>\$ 159,589</u>

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities:					
GTUA Contractual Obligations	\$3,491,250	\$ -	\$ (168,750)	\$ 3,322,500	\$ 72,500
Compensated Absences	10,850	1,790	(10,850)	1,790	1,790
Net Pension Liability (Asset)	(72,518)	(71,291)	-	(143,809)	-
Total OPEB Liability	28,697	3,399	-	32,096	-
Total Business-type Activities	<u>\$3,458,279</u>	<u>\$ (66,102)</u>	<u>\$ (179,600)</u>	<u>\$ 3,212,577</u>	<u>\$ 74,290</u>

Governmental Activities – 2020 General Obligation Refunding Bond

On January 14, 2020, the City issued the Series 2020 General Obligation Refunding Bonds in the original principal amount of \$1,020,000 with UMB Bank. The proceeds were utilized to refund existing debt obligations. Interest is payable semi-annually at a rate of 2.300%. The principal is due in annual installments varying from \$30,000 to \$110,000 with the final maturity on February 15, 2030. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. As of September 30, 2022, the outstanding principal balance of the obligation was \$805,000.

Governmental Activities – 2020 Combination Tax and Revenue Certificates of Obligation

On January 14, 2020, the City issued the Series 2020 Combination Tax and Revenue Certificates of Obligation in the original principal amount of \$335,000 with UMB Bank. The proceeds were utilized for capital projects. Interest is payable semi-annually at a rate of 2.790%. The principal is due in annual installments varying from \$20,000 to \$25,000 with the final maturity on February 15, 2035. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. As of September 30, 2022, the outstanding principal balance of the obligation was \$295,000.

The remaining annual debt service requirements for the governmental bonds and note payable at September 30, 2022 are as follows:

Governmental Activities Bonds and Note Payable
Annual Debt Service Requirements

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	\$ 135,000	\$ 27,826	\$ 162,826
2024	140,000	24,881	164,881
2025	115,000	20,003	135,003
2026	120,000	17,203	137,203
2027	120,000	14,345	134,345
2028-2032	445,000	30,439	475,439
2033-2035	75,000	3,139	78,139
Total	<u>\$ 1,150,000</u>	<u>\$ 137,836</u>	<u>\$ 1,287,836</u>

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Governmental Activities – Note Payable

The City entered into a note payable agreement for acquisition of a playground on August 24, 2022 in the original principal amount of \$50,000. This note has an interest rate of 4.75% and the total principal amount is due on August 24, 2023. On September 24, 2023, the City paid \$25,000 in principal and refinanced the remaining \$25,000 with an interest rate of 7.75% and a maturity date of August 24, 2024.

Business-type Activities – GTUA Contractual Obligations:

The City has three long-term contractual obligations with the Greater Texoma Utility Authority (GTUA). The City recognizes that GTUA has an undivided ownership interest in the City's sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance and sale of GTUA bonds. Under the terms of these contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facility, terminates when all of GTUA's bonds issued have been paid in full, are retired, and are no longer outstanding.

Series 2003 bond proceeds were obtained from GTUA in the amount of \$600,000 for the year ended September 30, 2003. The Series 2003 bond has a coupon rate of 5.08%. The City's obligation under the contract will expire with the retirement of the obligation in the fiscal year ending September 30, 2023. At September 30, 2022, the City's obligation under this contract is \$50,000

Collin Grayson Municipal Alliance Transmission Water Pipeline

On December 13, 2004, the City, along with the Cities of Anna, Melissa, and Van Alstyne formed a group called the Collin Grayson Municipal Alliance ("CGMA"). CGMA entered into a long-term contract with the GTUA for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to the CGMA cities. The cost of the pipeline is being funded with contractual obligations in four phases.

The original principal obligation for Phase I of the pipeline project was issued in fiscal year 2005 in the amount of \$2,800,000, of which twenty-five percent (25%) or \$700,000 pertained to the City. The Phase I contract has interest rates varying between 2.29% and 5.74%. As of September 30, 2022, the City's obligation under this contract was \$270,000. The City's obligation to GTUA under the Phase I contract is to expire with the retirement of the obligation in the fiscal year ending September 30, 2028.

The original principal obligation for Phase II of the pipeline project was issued in fiscal year 2006, with the original principal balance of \$8,675,000, of which twenty-five percent (25%) or \$2,168,750 pertained to the City. The Phase II contract has interest rates varying between 5.68% and 5.83%. Interest payments for this contract were deferred until fiscal year 2009. At September 30, 2022, the City's obligation under this contract remains \$2,168,750. The City's obligation under the contract will expire with the retirement of the obligation in the fiscal year ending September 30, 2040.

The original principal obligation for Phase III of the pipeline project was issued in fiscal year 2007 in the amount of \$5,000,000, of which twenty-five percent (25%) or \$1,250,000 pertained to the City. The Phase III contract has interest rates varying between 2.67% and 5.62%. At September 30, 2022, the City's obligation under this contract was \$833,750.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

The City's obligation to GTUA under Phase III contract expires with the retirement of the GTUA obligation in the fiscal year ending September 30, 2036. Phase IV of the pipeline project will occur in the future. The original principal obligation is expected to be \$1,500,000, of which twenty-five percent (25%) or \$375,000 will pertain to the City.

Each CGMA city is required to make payments to GTUA in an amount equivalent to 25% of the total obligation to cover their portion of the cost of the obligation until the pipeline project is complete and the water is pumping for three months.

From the time water has been delivered to each CGMA city through the pipeline for three months and forward and while water continues to flow to each CGMA city, upon a monthly basis, the City shall be charged it's percentage or fraction share of debt service on the obligation based upon: the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all CGMA cities. The sum of the four (4) fractional amounts shall always equal 100% of the debt service on the contractual obligation with GTUA.

The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs. In fiscal year 2021, the City did not take water from the pipeline and incurred "take or pay" charges of \$165,284.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. Presently it appears that the undivided interest will be approximately 25% of the waterline. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

The utility fund has the following outstanding contractual obligations at September 30, 2022:

<u>Water and Sewer Fund Contractual Obligations</u>	<u>Outstanding</u>
\$600,000 Series 2003 GTUA Contract Revenue Bonds. The interest rates range from 2.45% to 5.25%.	50,000.00
<u>CGMA Water Line Project Phase I: \$700,000 Series</u> 2005 GTUA Contract Revenue Bonds. The interest rates range from 2.29% to 5.74%.	270,000
<u>CGMA Water Line Project Phase II: \$2,168,750 Series</u> 2006 GTUA Contract Revenue Bonds. The interest rates range from 5.68% to 5.83%.	2,168,750
<u>CGMA Water Line Project Phase III: \$1,250,000 Series</u> 2007 GTUA Contract Revenue Bonds. The interest rates range from 2.67% to 5.62%.	833,750
Total outstanding contractual obligations:	<u><u>\$ 3,322,500</u></u>

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

At September 30, 2022, the principal and interest requirements for the next five fiscal years and in five-year totals starting in 2028 through 2041 are as follows:

	Total Business Activities Annual Debt Service Requirements		Total
	Principal	Interest	Requirements
2023	\$ 72,500	\$ 290,697	\$ 363,197
2024	57,500	286,226	343,726
2025	70,000	282,702	352,702
2026	168,750	174,941	343,691
2027	177,500	165,282	342,782
2028-2032	1,017,500	668,148	1,685,648
2033-2037	1,168,750	358,102	1,526,852
2038-2040	590,000	70,106	660,106
Total	\$ 3,322,500	\$2,296,204	\$ 5,618,704

4. Defined Benefit Pension Plans

Plan Description

The City of Howe participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent, multiple employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

The City has approved an annually repeating (automatic) basis of monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The plan provisions are adopted by the City Council, within the available options in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	5%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility	20 Years
Updated service credit	100% Repeating
Annuity increase (to retirees)	0% of CPI

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	22
Active employees	17
Total	52

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City of Howe were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Howe were 7.51% and 7.55% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$71,369, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year including inflation
Investment Rate of Return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Real Return	12.0%	7.22%
Real Estate	12.0%	6.85%
Absolute Return	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 12/31/2020	\$ 2,607,466	\$ 2,797,584	\$ (190,118)
Changes for the year:			
Service Cost	109,131	-	109,131
Interest	177,356	-	177,356
Change in benefit terms, including substantively automatic status	23,144	-	23,144
Difference between expected and actual experience	(4,585)	-	(4,585)
Changes of assumptions	-	-	-
Contributions - employer	-	77,649	(77,649)
Contributions - employee	-	51,699	(51,699)
Net Investment income	-	364,934	(364,934)
Benefit payments, including refunds of emp. contributions	(115,371)	(115,371)	-
Administration expense	-	(1,687)	1,687
Other changes	-	12	(12)
Net Changes	189,675	377,236	(187,561)
Balance at 12/31/2021	\$ 2,797,141	\$ 3,174,820	\$ (377,679)

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
(\$6,171)	(\$377,679)	(\$683,237)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately- issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2022, the City recognized pension expense of (\$67,016). At September 30, 2022 the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ 1,079	\$ -
Difference in assumption changes	-	(1,174)
Differences between projected and actual investment earnings	-	(187,565)
Contributions subsequent to the measurement date	50,786	-
Total	\$ 51,865	\$ (188,739)

\$50,786 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Year Ended September 30:	Net Deferred (Inflows) Outflows of Resources
2023	\$ (32,678)
2024	(79,741)
2025	(40,024)
2026	(35,217)
2027	-
Thereafter	-
	<u>\$ (187,660)</u>

5. Other Post-Employment Benefits

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	5
Active employees	17
Total	<u>31</u>

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Contributions

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the SDBF for the year ended September 30, 2021 were \$4,120, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2021	0.45%	0.29%
2022	0.41%	0.26%

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Methods and Assumptions used to Determine Contribution Rates:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2019, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2014 through December 31, 2018. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2014 through 2018 and dated December 31, 2018. In conjunction with these changes first used in the December 31, 2019 valuation, TMRS adopted the Entry Age Normal actuarial cost method. Salary increases were based on a service-related table.

Discount Rate

A single discount rate of 1.84% was used to measure the Total OPEB Liability and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	\$ 75,234
Changes for the year:	
Service cost	4,603
Interest on Total OPEB Liability	1,521
Change of benefit terms	-
Difference between expected and actual experience	3,604
Changes of assumptions or other inputs	2,297
Benefit payments	(2,966)
Net changes	\$ 9,059
Balance at 12/31/2021	\$ 84,293

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (0.84%) or 1 percentage-point higher (2.84%) than the current rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease	Current Discount Rate	1% Increase
0.84%	1.84%	2.84%
\$101,214	\$84,293	\$71,313

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB revenue of \$9,845. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes of assumptions	\$ 10,783	\$ -
Differences between actual and expected economic experience	-	(1,453)
Contributions made subsequent to measurement date	2,758	-
	<u>\$ 13,541</u>	<u>\$ (1,453)</u>

The \$2,758 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Outflows (Inflows) of Resources
2023	\$ 3,027
2024	3,167
2025	1,611
2026	1,094
2027	431
Thereafter	-
Total	<u>\$ 9,330</u>

City of Howe, Texas
Notes to the Financial Statements
For the Year Ended September 30, 2022

IV. Howe Community Facilities Development Corporation

Howe Community Facilities Development Corporation (HCFDC) was established under the provisions of Section 4B of the Development Corporation Act of 1979 as a Texas Municipal Corporation. HCFDC was organized specifically for the public purposes to study and fund permissible projects prescribed in the Development Corporation Act.

Blended methodology was used to present the HCFDC in the financial statements of the City of Howe as a governmental fund special revenue type. This methodology was selected after evaluation of all the circumstances and available standards. It should be noted that when the blended method is used, transactions of the component unit are presented as if they were executed directly by the primary government.

During the fiscal year ended September 30, 2022, the Board of Directors of the HCFDC met twice and adopted a budget. Total assets of the HCFDC at September 30, 2022 consisted of cash deposits in the amount of \$136,630, fully insured by FDIC insurance, certificates of deposits in the amount of \$101,789, sales taxes receivable \$25,430, and amounts due from the General Fund totaling \$43,465. The HCFDC also has liabilities in the amount of \$18,005 for amounts owed to the General Fund for rental expense.

V. Prior Period Adjustment

During fiscal year 2022, the City determined that there were several capital assets related to the fire department that had not been added to the City's depreciation schedule. Net position has been restated to reflect the assets and accumulated depreciation, as noted below.

	Government Wide
Beginning balances, as previously reported	\$ 1,270,382
Prior period adjustment	211,933
Beginning balances, as restated	<u>\$ 1,482,315</u>

VI. Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2022 up through the date of the auditor's report on page one. This is the date the financial statements were available for issuance.

On September 7, 2023, the City paid half of the unpaid balance on loan 6103203 for the playground equipment, in a total payment of \$27,395. The City paid off the remaining balance of this loan on August 26, 2024, in a total payment of \$27,045.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Howe, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes:				
Property	\$ 810,245	\$ 810,245	\$ 751,112	\$ (59,133)
Sales	260,211	260,211	414,980	154,769
Franchise	115,000	115,000	97,648	(17,352)
Municipal court	125,011	125,011	471,544	346,533
Building permits	40,000	40,000	32,114	(7,886)
Miscellaneous	10,000	10,000	38,302	28,302
Fire contract	22,000	22,000	34,617	12,617
Interest	50	50	1,329	1,279
Total revenues	<u>1,382,517</u>	<u>1,382,517</u>	<u>1,841,646</u>	<u>459,129</u>
EXPENDITURES				
Current:				
General government	378,362	378,362	587,151	(208,789)
Public safety	677,260	677,260	633,274	43,986
Community development	107,560	107,560	185,936	(78,376)
Streets	129,612	129,612	52,797	76,815
Municipal court	68,200	68,200	209,200	(141,000)
Non-departmental	-	-	17,683	(17,683)
Capital outlay	-	-	124,806	(124,806)
Debt service:				
Principal	21,257	21,257	-	21,257
Interest	-	-	-	-
Total expenditures	<u>1,382,251</u>	<u>1,382,251</u>	<u>1,810,847</u>	<u>(428,596)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>266</u>	<u>266</u>	<u>30,799</u>	<u>887,725</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	11,244	11,244
Transfers out	(123,900)	(123,900)	(419,865)	(295,965)
Transfers in	-	-	117,435	117,435
Total other financing sources and uses	<u>(123,900)</u>	<u>(123,900)</u>	<u>(291,186)</u>	<u>(167,286)</u>
Net change in fund balances	(123,634)	(123,634)	(260,387)	720,439
Fund balances - beginning	<u>1,002,726</u>	<u>1,002,726</u>	<u>1,002,726</u>	
Fund balances - ending	<u>\$ 879,092</u>	<u>\$ 879,092</u>	<u>\$ 742,339</u>	

The notes to the financial statements are an integral part of this statement.

City of Howe, Texas

Schedule of Changes in Net Pension Liability and Related Ratios ¹ Texas Municipal Retirement System Last Ten Measured Years

	2021	2020	2019
Total pension liability			
Service Cost	\$ 109,131	\$ 91,730	\$ 85,971
Interest (on the Total Pension Liability)	177,356	164,382	155,374
Changes of benefit terms	23,144	-	-
Difference between expected and actual experience	(4,585)	13,153	6,990
Change of assumptions	-	-	(28,300)
Benefit payments, including refunds of employee contributions	(115,371)	(102,433)	(76,515)
Net Change in Total Pension Liability	<u>189,675</u>	<u>166,832</u>	<u>143,520</u>
Total Pension Liability - Beginning	<u>2,607,466</u>	<u>2,440,634</u>	<u>2,297,114</u>
Total Pension Liability - Ending (a)	<u><u>\$ 2,797,141</u></u>	<u><u>\$ 2,607,466</u></u>	<u><u>\$ 2,440,634</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	77,649	68,193	62,206
Contributions - Employee	51,699	44,746	40,591
Net Investment Income	364,934	196,813	343,884
Benefit payments, including refunds of employee contributions	(115,371)	(102,433)	(76,515)
Administrative Expense	(1,687)	(1,271)	(1,942)
Other	12	(50)	(58)
Net Change in Plan Fiduciary Net Position	<u>377,236</u>	<u>205,998</u>	<u>368,166</u>
Plan Fiduciary Net Position - Beginning	<u>2,797,584</u>	<u>2,591,586</u>	<u>2,223,422</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,174,820</u></u>	<u><u>\$ 2,797,584</u></u>	<u><u>\$ 2,591,588</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (377,679)</u></u>	<u><u>\$ (190,118)</u></u>	<u><u>\$ (150,954)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.50%	107.29%	106.19%
Covered Payroll	1,022,787	894,926	811,814
Net Pension Liability as a Percentage of Covered Payroll	-36.93%	-21.24%	-18.59%

NOTES TO SCHEDULE OF NET PENSION LIABILITY

¹ The schedule above reflects the changes in net pension liability for the current year. GASB 68 requires ten fiscal years of data to be provided in this schedule. However, until a full ten-year trend is compiled, only available information is shown.

2018	2017	2016	2015	2014
\$ 75,879	\$ 72,515	\$ 67,294	\$ 60,482	\$ 46,430
146,387	137,456	127,792	117,586	108,993
-	-	-	-	-
(28,551)	(5,395)	14,870	18,236	14,472
-	-	-	62,530	-
(54,725)	(93,161)	(45,629)	(52,029)	(56,283)
138,990	111,415	164,327	206,805	113,612
2,158,124	2,046,709	1,882,382	1,675,577	1,561,965
<u>\$ 2,297,114</u>	<u>\$ 2,158,124</u>	<u>\$ 2,046,709</u>	<u>\$ 1,882,382</u>	<u>\$ 1,675,577</u>
55,534	52,986	49,563	45,868	40,628
36,202	34,498	32,260	29,824	26,554
(67,569)	275,445	123,615	2,662	97,089
(54,725)	(93,161)	(45,629)	(52,029)	(56,283)
(1,306)	(1,427)	(1,396)	(1,621)	(1,014)
(69)	(72)	(75)	(80)	(83)
(31,933)	268,269	158,338	24,624	106,891
2,255,355	1,987,086	1,828,748	1,804,124	1,697,233
<u>\$ 2,223,422</u>	<u>\$ 2,255,355</u>	<u>\$ 1,987,086</u>	<u>\$ 1,828,748</u>	<u>\$ 1,804,124</u>
\$ 73,692	\$ (97,231)	\$ 59,623	\$ 53,634	\$ (128,547)
96.79%	104.51%	97.09%	97.15%	107.67%
724,033	689,965	645,195	596,472	531,081
10.18%	-14.09%	9.24%	8.99%	-24.20%

Schedule of Contributions to Pension Plan¹ Texas Municipal Retirement System Last Ten Fiscal Years

NOTES TO SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN**Valuation Date:**

Methods and Assumptions Used to Determine Contribution Rates:

Other Information:58

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 54,352	\$ 52,135	\$ 29,376	\$ 33,799	\$ 39,249
<u>54,352</u>	<u>52,135</u>	<u>49,339</u>	<u>43,348</u>	<u>39,249</u>
\$ -	\$ -	\$ (19,963)	\$ (9,549)	\$ -
\$ 689,965	\$ 645,195	\$ 641,597	\$ 566,645	\$ 519,976
7.88%	8.08%	7.69%	7.65%	7.55%

City of Howe, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios ¹ Texas Municipal Retirement System Last Ten Measured Years

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 4,603	\$ 3,580	\$ 2,435	\$ 1,882	\$ 1,587
Interest (on the Total OPEB Liability)	1,521	1,896	2,024	1,875	1,877
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	3,604	(5,890)	(1,283)	(1,929)	-
Changes in assumptions or other inputs	2,297	8,927	11,521	(3,464)	4,006
Benefit payments	(2,966)	(895)	(812)	(652)	(621)
Net Change in Total OPEB Liability	9,059	7,618	13,885	(2,288)	6,849
Total OPEB Liability - Beginning	75,234	67,616	53,731	56,019	49,170
Total OPEB Liability - Ending (a)	\$ 84,293	\$ 75,234	\$ 67,616	\$ 53,731	\$ 56,019
Covered Payroll	\$ 1,022,787	\$ 894,926	\$ 811,814	\$ 724,033	\$ 689,965
Total OPEB Liability as a Percentage of Covered Payroll	8.24%	8.41%	8.33%	7.42%	8.12%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Howe, Texas
Schedule of Contributions to OPEB Plan ¹
Texas Municipal Retirement System
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 3,991	\$ 4,120	\$ 2,882	\$ 2,454	\$ 2,014
Contributions in relation to the actuarially determined contribution	3,991	4,120	2,882	2,454	2,014
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 946,738	\$ 985,861	\$ 859,485	\$ 786,652	\$ 689,965
Contributions as a percentage of covered payroll	0.4%	0.4%	0.3%	0.3%	0.3%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

Valuation Timing: Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality:

Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes	There were no benefit changes during the year.
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OTHER SUPPLEMENTARY INFORMATION

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City of Howe, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - HCFDC
For the Year Ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes:				
Sales	\$ 65,872	\$ 65,872	\$ 138,327	\$ 72,455
Interest	99	99	1,890	1,791
Total revenues	<u>65,971</u>	<u>65,971</u>	<u>140,217</u>	<u>74,246</u>
EXPENDITURES				
Current:				
General government	251,500	251,500	-	(251,500)
Total expenditures	<u>251,500</u>	<u>251,500</u>	<u>-</u>	<u>(251,500)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(185,529)</u>	<u>(185,529)</u>	<u>140,217</u>	<u>325,746</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(71,000)	(71,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(71,000)</u>	<u>(71,000)</u>
Net change in fund balances	(185,529)	(185,529)	69,217	254,746
Fund balances - beginning	<u>220,097</u>	<u>220,097</u>	<u>220,097</u>	
Fund balances - ending	<u><u>\$ 34,568</u></u>	<u><u>\$ 34,568</u></u>	<u><u>\$ 289,314</u></u>	

The notes to the financial statements are an integral part of this statement.